



**ORIGINAL**

**EXHIBIT G**

**FIRST PLAN OF DEVELOPMENT - PROPOSED COSMOPOLITAN UNIT**

**August 25, 2014**

**BlueCrest Energy, Inc. as Operator and 100% Working Interest Owner**

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## ATTACHMENTS

- 1: Hansen Pad Layout
- 2: Geological Report for Unit Application



## **FIRST PLAN OF DEVELOPMENT PROPOSED COSMOPOLITAN UNIT**

### **INTRODUCTION**

This First Plan of Development for the proposed Cosmopolitan Unit is submitted by BlueCrest Alaska Operating LLC, as Operator, on behalf of its affiliate BlueCrest Energy, Inc., 100% of the working interest owner of the proposed Cosmopolitan unit acreage, to the Department of Natural Resources (DNR) of the State of Alaska, as required for unitization. The Cosmopolitan Unit plan of development for the next five years consists of the following:

- One onshore gravel pad, the Hansen pad, which will accommodate a well row, oil processing facilities, gas processing facilities, a grind & inject facility, seawater intake facilities as well as office and warehouse space and a man-camp;
- Two offshore, monopod platforms that will house six gas wells each;

The above facilities will be developed to accommodate a planned total of 44 wells. Of these, approximately 20 will be onshore oil producers, 10 onshore water injectors, 12 offshore gas producers and two onshore disposal wells (Table 1). First production is projected to occur in the first half of 2016. The development concept, as proposed, has the following characteristics:

- an onshore gravel pad, the Hansen lease, located in Anchor Point, Alaska containing a:
  - Drill site and well containment houses for 32 wells
  - 20,000 BOPD processing facility where three-phase flow from the onshore oil wells will be processed for sales
  - Oil storage area with truck loading
  - Gas pipeline tie-in point
  - Gas processing equipment for onshore and offshore gas production
  - Sea water treatment plant for 25,000 BWPD of water for secondary recovery and reservoir pressure maintenance. Produced water will be processed and re-injected into the formation.
  - Warehouse and office buildings
  - 50-man camp with commercial kitchen, cafeteria and wastewater treatment plant
  - 5 acre laydown area for temporary equipment staging and temporary man camp placement
- up to 38 wells planned as follows:
  - Onshore gravel pad (Hansen lease) containing 20 oil producers, 10 water injectors, and 2 disposal wells;
  - Offshore development from two monopod platforms with 6 gas producers on each
  - The oil producers and water injectors will be drilled in the Tyonek formation, focused initially on the Hemlock and Starichkof horizons.
  - Onshore producers will be extended long-reach, dual laterals.
  - Gas-lift injection will be used to artificially lift the oil to the surface.
  - Water injection will be used to maintain the reservoir pressure.

**Table 1.** Planned well types and numbers for initial full field development

Well Type	Water Injector*	10
	Oil Producer*	20
	Gas Producer**	12
	Disposal*	2
TOTAL		44

\*Onshore development from Hansen pad

\*\*Offshore development

## HISTORICAL ACTIVITIES

The Cosmopolitan field was initially discovered by the Pennzoil Oil Company in 1967 when they drilled their Starichkof State #1 well on State of Alaska lease # ADL384403, Sec 33, T3S, R15W in the Kenai Peninsula Borough. This well was drilled to a total depth of 12,112 feet and bottomed in the Upper Cretaceous marine Matanuska Shale. Although this well discovered oil in the Lower Tyonek, it was drilled in an off-structure position on the east flank leaving approximately 2,500 acres untested in all zones. Four drill stem tests were run in the upper 150 feet of Lower Tyonek "Starichkof" sand, three of which recovered water free oil at low flow rates with a maximum of about 60 barrels of oil per day. All testing was through perforations in casing, and the Hemlock was tested in two zones, the upper at 7,150 feet to 7,236 feet which yielded 98 barrels of brackish water with a show of gas and a lower zone from 7,410 feet to 7,420 feet that tested over 6,000 feet of fresh water; open flow times were not reported. Up-hole from the Starichkof, Pennzoil attempted additional tests through perforations that resulted in inconclusive results due to either insufficient cement behind pipe or possibly no cement at all. They perforated the interval from 6,444 feet to 6,454 feet in what we now designate as the "Lower Tyonek E" sand and recovered oil cut mud. A significant gas show zone from 3,810 feet to 3,842 feet was also tested and recovered 126 feet of gas cut mud after cement squeeze and formation breakdown. Clearly this zone and the previous test interval did not have adequate cement behind pipe, so the results were not definitive.

Pennzoil followed this well with their Starichkof State Unit #1 drilled on the north plunge of the Cosmopolitan anticline. Pennzoil's reasoning for choosing this location is not known, but the well was structurally more than 800 feet low at the Starichkof level and resulted in a dry hole without significant shows of oil or gas. Whole cores were taken in the approximate stratigraphic equivalent to the gas show zone (now designated as the Upper Tyonek H by BlueCrest) and also in the Starichkof interval.

With the discovery of Prudhoe Bay in early 1968, major oil companies that were active in the Cook Inlet shut down exploration operations and redirected their efforts to the North Slope. Although production in the inlet continued to rise for a time, it started a long, continuous decline from 1970 to present.



In the mid 1990's, ARCO began investigating the prospect, acquiring other working interests, and began an exploration effort which was later carried on by Phillips after its acquisition of ARCO Alaska. In 2001, Phillips formed the Cosmopolitan Unit, including seven individual State of Alaska leases and two federal offshore leases immediately west of the state leases. In the same year, Phillips also completed the Hansen #1 well, drilled directionally from an onshore drill site approximately 2.5 miles away from the target reservoirs. The Hansen #1 well reconfirmed the presence of producible oil in the previously-discovered Starichkof zone, and it also confirmed productive sands in the Hemlock interval. Test rates were reported to be 380 BOPD from the Hemlock and 125 BOPD from the Starichkof.

In 2003, ConocoPhillips drilled the Hansen #1A well (a sidetrack of the Hansen #1 well) providing a deviated penetration of the Starichkof sands and a lateral penetration of the Hemlock zone. The Hansen #1A well was tested at rates up to 1000 BOPD and produced a cumulative total of 14,851 STB of medium-gravity (24-27 degrees API) sweet oil. In 2005, Pioneer Natural Resources ("Pioneer") joined with ConocoPhillips to obtain approximately 40 square miles of 3-D seismic data over the entire project area. The 3-D seismic provided a clear view of the perimeter flanks of the anticlinal structure, but the crestal view was obscured by a gas cloud rendering a conclusive image of the top of the structure impossible.

In 2007, after acquiring ConocoPhillips' working interest in the Cosmopolitan unit, Pioneer proceeded to drill the Hansen #1AL1, another sidetrack of the original Hansen #1 well. The original Starichkof and Hemlock completion in the Hansen 1A well was temporarily plugged at the location of the sidetrack for the Hansen #1AL1. The Hansen #1AL1, a long-reach undulating lateral well through the upper portion of the Starichkof sand, was tested at rates of approximately 300 BOPD. In 2010, Pioneer conducted a fracture stimulation attempt of the open interval along with an extended flow test of the well. In total, the Hansen #1AL1 cumulatively produced in excess of 33,000 STB with average final rates of approximately 250 BOPD from the open interval in the upper Starichkof zone. Pioneer proposed a development plan for the Cosmopolitan Unit that consisted of extended reach oil production and water injection wells in the previously identified Hemlock and Starichkof zones drilled from the onshore drill site, but in late 2010 decided not to pursue completion of the plan. In February 2011, Pioneer disbanded the Cosmopolitan unit and retained leases ADL018790 and DL384403 held by well.

In June 2011, Apache Corporation successfully bid on leases ADL391902, ADL391903, and ADL391904 (which had previously been included in the original Cosmopolitan Unit under different lease numbers) and agreed to provide a Plan of Exploration for those leases according to the terms approved by the state. Apache's initial Plan of Exploration was submitted to the Alaska Department of Natural Resources in February 2012 and approved by the state in March 2012. In March 2013, Apache provided a bi-annual report on their Plan of Exploration for the leases.

In late 2010 and early 2011, Buccaneer Alaska, LLC and BlueCrest Energy II, LP began negotiations with Pioneer to jointly acquire leases ADL018790 and ADL384403. In September 2011, Pioneer entered into a Letter of Intent with the two parties to continue negotiations eventually leading to a sale. In August 2012, sale of the two leases from Pioneer to Buccaneer Cosmopolitan, LLC ("Buccaneer Cosmopolitan") and BlueCrest Energy Inc. ("BlueCrest") was concluded. Under the terms of the sale, Buccaneer Cosmopolitan acquired 25% working interest and BlueCrest obtained 75% working interest. Buccaneer Alaska Operations,

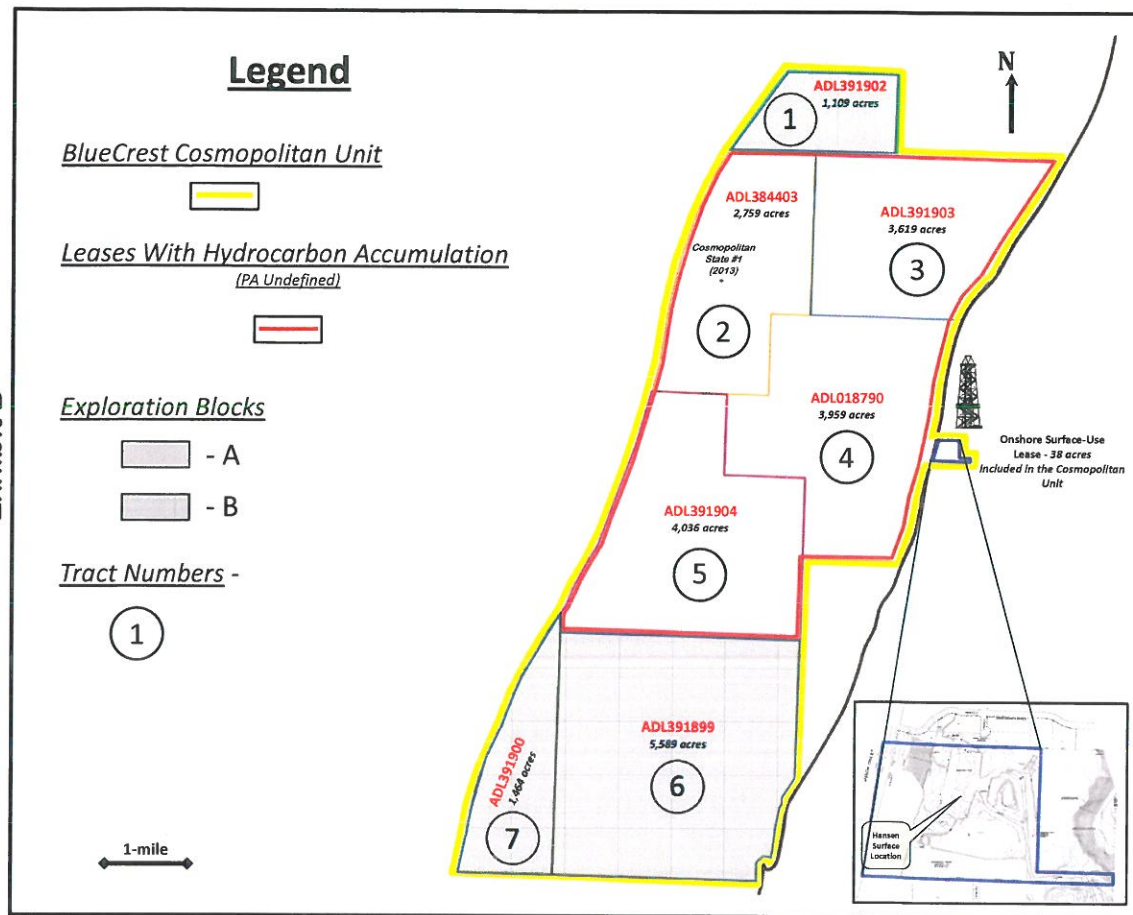
LLC was the named operator of the leases. In 2012 and 2013, Buccaneer Cosmopolitan and BlueCrest conducted various reprocessing and analyses of the 2005 3-D seismic data previously obtained by Pioneer and ConocoPhillips.

In the summer of 2013, Buccaneer Cosmopolitan and BlueCrest jointly drilled the Buccaneer Cosmopolitan State #1 (hereinafter referred to as the Cosmopolitan State #1) well from an offshore surface location, providing a vertical penetration of all zones from surface to a total depth of 7599', penetrating the West Foreland Formation. The Cosmopolitan State #1 well discovered numerous new oil and gas zones within the Upper and Lower Tyonek (above the previously-known Starichkof and Hemlock zones), and a vertical seismic profile was conducted in the well to assist in interpretation of the previous seismic data.

In August 2013, Apache assigned leases ADL391902, ADL391903, and ADL391904 to Buccaneer who, in turn, assigned 75% working interest to BlueCrest. The assignment of the 75% working interest in the Apache leases from Buccaneer to BlueCrest was approved by the State of Alaska effective November 1, 2013 and was transmitted to BlueCrest on February 20, 2014.

In January 2014, BlueCrest acquired Buccaneer Cosmopolitan, LLC and changed the name of "Buccaneer Cosmopolitan, LLC" to "BlueCrest Cosmopolitan, LLC", a wholly owned subsidiary of BlueCrest. Following the assignment of the former Apache leases to BlueCrest, BlueCrest was therefore provided with 100% working interest ownership of all the Cosmopolitan Project leases (ADL018790, ADL384403, ADL391902, ADL391903, and ADL391904, Figure 1). In March 2014, the Alaska Oil and Gas Conservation Commission approved BlueCrest Alaska Operating LLC as the operator of the Cosmopolitan Project leases.





**Figure 1.** Lease Map with proposed Cosmopolitan Unit highlighted.

## 1. PLANNED ACTIVITIES FROM SEPTEMBER 2014 THROUGH 2015

### 1.1 FACILITIES

Onshore gravel pad preparation will be accomplished by year-end 2014. The existing 6 acre pad will be enlarged to 37 acres. By preparing the pad before winter 2015, the ground will have six months of compaction and stabilization prior to construction activities.

Engineering and design review of the onshore oil and gas processing facilities is nearing completion. The initial hazards assessment will be conducted in September 2014 in order to mitigate through engineering as many hazards as possible. Long-lead time items, such as the compressor packages, glycol dehydration unit, multi-phase metering skid, and demethanizer skid, have been designed and the fabrication process is underway.

#### MAJOR ONGOING ACTIVITIES AT THE TIME OF FILING THE FIRST POD:

- Engineering design and review will be completed by year-end 2014 for the onshore oil and gas processing facilities.

- Piping and instrumentation diagrams will be completed by year-end 2014 for the onshore oil and gas processing facilities.
- Initial HAZOPs assessment to be completed in September 2014.
- Pad layout including the warehouse, office building, and permanent man-camp specifications will be finalized by year-end 2014.

## 1.2 RESERVOIR MANAGEMENT

The Cosmopolitan field is both an oil and gas discovery. The main reservoirs of the field are all contained in the Tyonek formation. The main oil reservoirs are contained within the Hemlock formation at a depth of approximately 7000 ft TVDss (Table 2) and the overlying Starichkof zone at a depth of 6750 ft TVDss. The anticlinal structure, which is four and one-half miles by 2 miles in size, has approximately 600 feet of vertical closure over an area of over 6,000 acres at the Starichkof sand. Structural control includes six wellbores, (three of these are vertical and penetrate the entire geological section on the structure and three are extended reach wells drilled from the onshore drilling pad), 3D seismic acquired by Pioneer Resources in 2005, dip meter data in two of the vertical wells, and migrated 2D high resolution seismic data acquired by GeoTek Alaska, Inc. in 2013.

Core analyses have been completed and the geologic and reservoir modeling effort is underway. A field-wide development model will be generated by year end 2014. The model will help determine well spacing, injection strategy and production well lengths to maximize recovery.

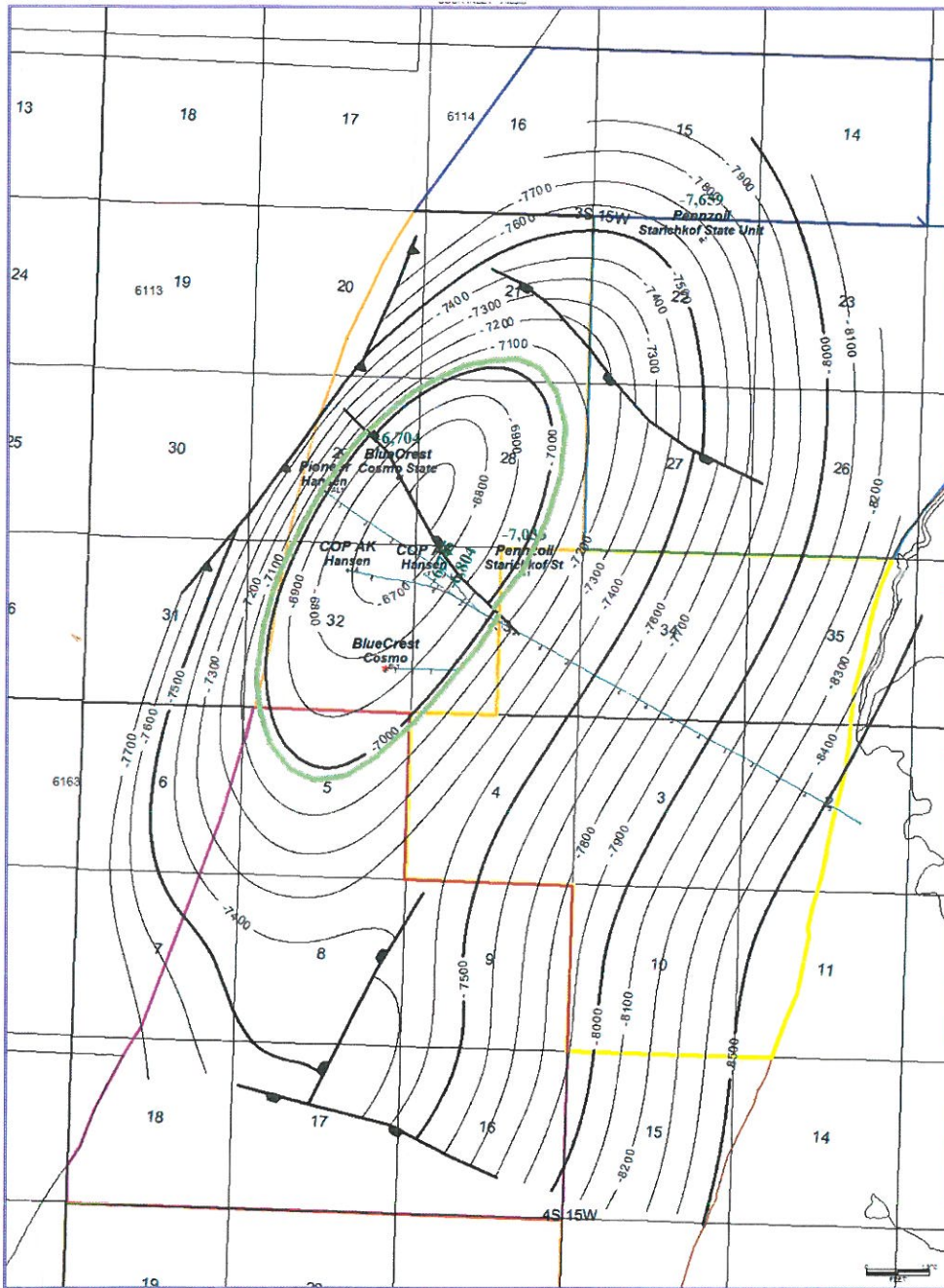
The production and injection wells in the oil horizons will most likely be oriented in a horizontal line drive pattern for optimum reservoir coverage and sweep efficiency. The structure map with existing wells and the proposed Cosmopolitan State B1 location is included in Figure 1.

**Table 2.** Major and minor hydrocarbon accumulations in the Cosmopolitan Unit

<i><b>Tyonek Zone</b></i>	<i><b>Depth, TVDss</b></i>	<i><b>Fluid</b></i>	<i><b>Absolute k, mD</b></i>	<i><b>Porosity, %</b></i>	<i><b>Sw, %</b></i>	<i><b>Thickness, ft</b></i>
Hemlock	6812-7312'	Oil	83.2	19.4	45.1	500
Starichkof	6538-6812'	Oil	74.6	18.1		274
Lower Tyonek E	6243-6272'	Oil	141	22.3	26.7	29
Lower Tyonek D	6000-6092'	Oil	102.9	20.2	47.3	92
Lower Tyonek C	5820-5886'	Oil	145	21.3	45.1	66
Lower Tyonek B	5751-5791'	Oil	102	21.3	49.4	40
Lower Tyonek A	5534-5622'	Gas	273	24.1	52.7	88



Upper Tyonek J	4301-4384'	Gas	233	22.1	41.1	83
Upper Tyonek H	3736-3765'	Gas	61	23	32.4	29
Upper Tyonek I	3923-3971'	Gas	108	22	40.7	48
Upper Tyonek D	2517-2631'	Gas	196	24.9	44.1	114
Upper Tyonek A	2228-2268	Gas	85	24.2	41.8	40



**Figure 1.** Cosmopolitan Field structure map, showing existing wells and the proposed B1 vertical wellbore.

### 1.3 DRILLING

The gas development is targeted as an offshore drilling campaign in the Upper Tyonek sands. The exploration blocks to the north and south of the proposed unit (Alaska State leases ADL391902, ADL391899 and ADL391900) are not included in the 2015 scope of work. Their potential will be re-evaluated based on 2015 and 2016 drilling results for further Tyonek exploitation.

No additional drilling is anticipated for 2014. In 2015, the BlueCrest team plans to drill one vertical well offshore to delineate the southern part of the structure in ADL384403. This well, dubbed the Cosmopolitan State B1, will be tested in both the oil and gas zones. The oil horizons will be plugged and abandoned and the gas zones will be suspended, pending the onshore facility construction and start-up. Additionally, by mid-2015, an onshore land rig will be mobilized to the Hansen pad to commence the continuous onshore development drilling activities. BlueCrest anticipates drilling two onshore oil producers with dual laterals in the Hemlock and Starichkof zones by year end 2015. The third well in the onshore campaign will be a disposal well, to be drilled in late 2015 or early 2016.

A grind and inject facility will be installed and connected to the disposal well. The G&I facility will aid in the disposal of all oil-contaminated drilling waste from both the onshore and offshore drilling campaigns.

There will be no further drilling activity in 2014 other than contractual negotiations with onshore rig providers.

### **3. PLAN FOR EXPLORATION BLOCKS**

BlueCrest currently does not anticipate drilling in the exploratory blocks, specifically Alaska state oil and gas leases ADL 391899, ADL 391900, and ADL 391902, in years 2014 or 2015. Interpretation of the 3D seismic acquired over 40 square miles in 2005, covering Alaska state leases ADL391902, ADL384403, ADL391903, ADL018790 and ADL391904, suggests that the southern exploratory blocks potentially have producible hydrocarbon deposits at a deeper depth. The economic potential of these leases prompted their initial purchase. Thus, it is the desire of BlueCrest to include Alaska State leases ADL391899 and ADL391900 in the unit.



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